

Local Pension Board

Wednesday 3 July 2024
10.00 am
Meeting Room 225, 160 Tooley Street

Membership

Mike Ellsmore (Independent Chair)

Dominic Cain (Vice Chair) – Employer Representative

Sarah Feasey – Employer Representative

Mike Antoniou – Schools Employer Representative

Diana Lupulesc – Employee Representative

Stuart Mumford – Employee Representative

Tony O'Brien – Retired Employee Representative

Local Pension Board

Wednesday 3 July 2024
10.00 am
Meeting Room 225, 160 Tooley Street

Order of Business

Item No.

Title

PART A – OPEN BUSINESS

- 1. TRAINING SESSION – LGPS POOLING UPDATE**
- 2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**
- 3. NOTIFICATION OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING**
- 4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

Members of the board to declare any interests and dispensation in respect of any item of business to be considered at this meeting.

- 5. MINUTES**

To agree as a correct record, the open minutes of the meeting held on 3 April 2024.

- 6. ACTION TRACKER**
- 7. PENSIONS SERVICES**

Item No.	Title	Page No.
8.	BREACHES LOG	
9.	ANNUAL CYBER SECURITY ASSESSMENT	
10.	PENSION FUND STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT (2021-22 AND 2022-23)	
11.	PENSION FUND ANNUAL REPORT	
	<ul style="list-style-type: none"> - LPB ANNUAL REPORT - SAB GUIDANCE ON PREPARING ANNUAL REPORTS 	
12.	UPDATE ON CURRENT LGPS ISSUES	
13.	INVESTMENT UPDATE	
14.	ANY OTHER OPEN BUSINESS	

PART B – CLOSED BUSINESS

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

ANY OTHER CLOSED BUSINESS

Date: 12 June 2024

Local Pension Board

MINUTES of the OPEN section of the Local Pension Board ('LPB' or 'the Board') meeting held on Wednesday 03 April 2024 at 10.00 am at Meeting Room 225 at 160 Tooley Street, London, SE1 2QH

PRESENT: Mike Ellsmore (Independent Chair)
Dominic Cain (Vice Chair) – Employer Representative
Vacant – Employer Representative
Mike Antoniou – Schools Employer Representative
Stuart Mumford – Employee Representative
Tony O'Brien – Retired Employee Representative
Clive Palfreyman
Caroline Watson
Spandan Shah
Barry Berkengoff
Tracey Milner
Rikish Ramkisoorn

1. APOLOGIES

Apologies were received from Diana Lupulesc (Employee Representative).

2. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

3. MINUTES

RESOLVED:

That the minutes of the meeting held on 24 January 2024 be agreed as a correct record.

4. TRAINING SESSION – SPRING BUDGET AND POOLING

Item delivered by Barry Berkengoff and Tracey Milner.

The training session covered the outcome of the recent training needs assessment; an update on LGPS topics covered in the recent Spring Budget; LGPS investment pooling including details of different pool models, background to the objectives of pooling, and details of the recent government consultation on pooling of listed assets.

There were questions on the Southwark pension fund's current status of investments in pooled funds and a discussion.

Action points

Assess Hymans Robertson's online training module to confirm whether fit for purpose and can be subscribed to for the benefit of the members of the LPB.

Identify additional training requirements for the Board members following responses to the training needs assessment.

5. ACTION TRACKER

Item presented by Caroline Watson.

An update was provided regarding the approach to assessing the Fund's compliance with the General Code of Practice. It was also confirmed that progress is being made in developing a revised administration strategy.

Action point:

Detailed presentation on the findings of the third party review of compliance with the General Code of Practice to be tabled at the LPB meeting in July 2024.

6. PENSION SERVICES

Barry Berkengoff presented the report.

Barry provided an update on: recruitment within the team; IT system and ongoing work in relation to the recommendations from the recent cyber risk assessment; the National Pension Dashboard; the issuance of annual benefit statements (ABS); and complaint management.

There were questions on the topics presented, particularly on complaints management and follow on discussions.

Action points:

Stuart Mumford and Tony O'Brien to reach out to Barry regarding individual scheme members who haven't yet received their ABS. Going forward, there is a request to include a form of 'commentary' in the complaint management table to outline progress made compared to previous quarter.

7. PENSION SERVICES – ANNUAL BENEFIT STATEMENTS – ACTION PLAN

Barry Berkengoff and Rikish Ramkisoon presented the report.

Detailed update on 2022-23 issues and progress made to date up to April 2024 was provided.

Action point:

2023-24 ABS to be issued by the statutory deadline of 31 August 2024.

Add a 'Progress/Completion' column in the table in Appendix 1.

8. RISK REGISTER

Caroline Watson and Barry Berkengoff presented the report.

Updates to the risk register have been made by both Caroline and Barry

The risk register will be reviewed periodically and updates will be presented to the LPB.

Action point:

Consider A3 size (if possible) while presenting the risk register in future meetings.

9. UPDATE ON LGPS ISSUES

Caroline Watson presented the report. She provided an update on the independent legal review commissioned by the Scheme Advisory Board to determine whether the LGPS is Sharia Compliant; an update on the Economic Activity of Public Bodies (Overseas Matters) Bill; and an update on progress of the outstanding pension fund statement of accounts audits.

Action point:

Barry is working with Aon to roll out communication about this to the members of SPF in relation to the findings/conclusion of the SAB review that investments in LGPS are compliant with Sharia law.

10. PAP PAPERS

Tracey Milner presented the report.

Tracey provided an update on the key topics and discussion items covered as part of the Pension Advisory Panel meeting on 26 February 2024.

11. CLOSED AGENDA – CYBER ASSESSMENT REPORT

Barry Berkengoff introduced the report.

Barry presented findings from the cyber assessment undertaken by an independent third party. He noted that the report included some recommendations and findings to bring all security functions to a consistent and advanced level of cyber security.

There were questions on the report and a discussion.

Action point:

Barry and Rikish to discuss the findings of the cyber risk assessment report with Civica and work on implementing the recommendations and addressing the identified gaps.

Barry to provide an update on progress at the next LPB meeting.

The meeting ended at 11.50 am.

CHAIR:

DATED:

Item 6
Local Pension Board - Action Tracker

Date of Meeting	Action Ref	Action	Due Date	Response	Status
7 April 2021	18	Revised Administration Strategy to be tabled at a future LPB meeting	July 2024	<p>Following the procurement of new UPM software, Barry Berkengoff will be updating the existing Administration Strategy (which was due for review in 2024 anyway). This needs to link with the fund’s proposed Data Management Policy; a final decision from the Strategic Director, Finance around employer fining; and employer responsibility ownership work which has now begun with the Council and will result in the transfer of pensions ‘payroll admin’ going back to Council Payroll in July/August 2024. New KPIs within the Administration Strategy will take into account wider LGPS advice from our pension benefit advisors to ensure they meet pension fund and member needs. Once completed, this will be tabled at PAP, then at a future LPB meeting, before going to all Southwark employers for consultation.</p> <p>An update is included in the Pension Services agenda item tabled at this meeting.</p>	Progressing

10 July 2023	19	Reporting of key administration KPIs to the Board	July 2024	Performance Metrics (i.e. statutory administration KPIs) are sent to the Board each quarter.	Closed
				Per action 18 above, SAB has now produced new guidance around reporting and metrics, and is covered as a separate agenda item in this meeting.	Progressing
24 January 2024	20	Reports to be tabled re TPR General Code of Practice	April 2024	Report to be tabled at the April 2024 meeting on the appointment of a third party to review the Fund's compliance against the Code. Provider to report back on findings at July 2024 meeting.	Progressing
				Barnett Waddingham have been appointed to conduct this review and will report on their findings at the October 2024 meeting.	

Item No. 7	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Pension Services – admin/ops update	
Ward(s) or groups affected:		None	
From:		Head of Pensions Operations, Finance	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update on the pensions administration and operational function.

BACKGROUND INFORMATION

2. The Board last received an update in April 2024 setting out specific information on recruitment, IT/systems, National Dashboard Programme, McCloud remedy, communication initiatives and complaint management.

RECRUITMENT

3. First Contact Officer interviews took place in May but no appointment was made.
4. The Data/Systems team is almost at full capacity with the exception of one Data Officer role which remains vacant. However, existing resourcing levels is having a positive effect on all ongoing data migration and 2024 annual statement work.

IT/SYSTEMS

5. Following the circulation of the Cyber Risk Assessment (where overall findings were positive), recommendations have been shared with the software provider. We will share any feedback and next steps with the Board in due course.
6. UPM system analysis continues following the data migration. We will shortly be testing a new data validation tool, which allows calculations to be run in bulk, and then reconciled against earlier data cuts and the legacy pensions admin system.
7. The Data/Systems team now has SQL reporting capability and has begun writing a suite of data extract reports for a number of operational purposes – a data sharing agreement with Pension Fund Finance colleagues, auditor requirements, and general housekeeping following monthly uploads from UPM Employer Hub.

NATIONAL DASHBOARD PROGRAMME

8. The pensions admin system supplier continues to develop a dashboard ecosystem as part of the legal requirement for all administering authorities to adhere to the new Pensions Dashboards Regulations 2022. Southwark Council's "connect by" date remains unchanged as 31 October 2025.

MCCLOUD REMEDY

9. A software update is imminent which will allow McCloud calculations to be automated on the pensions admin system.
10. Until then, manual checks are being done for all leaver calculations (retirement, deferreds and transfers) to ensure anyone who is entitled to receive the McCloud remedy receives the correct pension uplift.
11. A wider project is in planning to identify any members that may require a remedy since 2014.

PROGRESS TO JULY 2024

Since the last Board update, further progress has been made in the following areas.

COMMUNICATION INITIATIVES

12. Following agreement of the 2024 Annual Benefit Statement (**ABS**) Action Plan, the 2024 deferred member ABS exercise is nearing completion and statements and newsletters will be issued later in July.
13. The Data/Systems team has been working hard to upload, analyse and cleanse (where needed) all monthly and year-end employer data for active members. Council data is complete at year-end 31 March 2024 and annual statements are expected to be issued later in August (and before 31 August statutory deadline).
14. External employer year-end data is in a much better place than in 2023 but has required a lot of formatting and queries being raised with employers. However, we have focused on the larger payroll providers initially (Strictly Education, Data Plan, EPM) and are on track to issue annual statements by 31 August 2024.
15. For any member who did not receive a 2023 statement, we will be inserting additional CARE pension details at 31 March 2023 into the latest 2024 ABS.
16. Finally, as part of the earlier annual Pension Increase process, year-end P60's were issued to all retired staff during May 2024

ADMIN STRATEGY

17. Further to the Action Tracker update, the Admin Strategy is currently with the Head of Pensions Operations for a full review (which is due every three years).
18. We are still in the process of agreeing a handover of pensions 'payroll' admin work between the Administering Authority and the Council's Payroll team. This was an old arrangement in place pre 2018 when pensions was part of wider HR.
19. As Data/Systems team work has evolved, we need to include revised data management processes within the new Admin Strategy.
20. The biggest change to Admin Strategy is around employer responsibility and accountability. The existing strategy was written in 2021 to be more relevant to the Council as principal employer; however, the updated version will also include more specific responsibilities relevant to external employers such as maintained schools who may use Schools HR and a number of outsourced payroll providers.

COMPLAINT MANAGEMENT

Against Employer:

- Pensions Ombudsman single complaint - ill-health tiering award appeal against a former school employer. All ill-health tiering awards are recommended by Occupational Health following a medical assessment, but the employer makes the final decision. **Case Open - with Ombudsman pending formal decision.**
- Pensions Ombudsman single complaint - a long-standing and protracted employer complaint from a former member of Council staff about pension benefits and a Settlement Agreement. **Case Open - applicant has made a number of formal submissions. Sthwark has provided its formal response and awaits a decision from the Ombudsman.**
- IDRP stage 1 - ill-health complaint against the Council as employer. Whilst the ill-health tiering award is not in dispute, a disagreement existed over contractual hours, which could affect final value of pension benefits to be paid. **Case open - Council HR upheld main complaint in members favour and benefits were re-calculated. Council HR and Management are yet to respond on a secondary issue and if unresolved is likely to go to stage 2.**

Against Administering Authority (i.e. Pension Fund):

- Pensions Ombudsman single complaint - a cohabiting partners' pension and death grant claim made against the pension fund. The applicant alleged both he and the deceased were financially dependent on one another and living together as husband and wife. **Complaint formally determined and upheld in part. The Ombudsman found no evidence of a cohabiting relationship and said the Administering Authority had reached the correct decision based on all the evidence available. Applicant rejected the non-financial injustice award made and has since appealed the Ombudsman decision. This matter is likely to go to the High Court of Justice. Case still Open.**
- Pensions Ombudsman single complaint - pensions liberation claim that pension fund undertook no receiving scheme due diligence when a transfer out was paid in 2016. **Pension fund denies allegations. Complainant has now taken the identical matter to the Crown Court, which means the Ombudsman may have to discontinue its own investigation. Case remains Open.**
- IDRP stage 2 - dispute over the allocation of a lump sum death grant. **Case open. New evidence being considered by the IDRP stage 2 Adjudicator.**

ADMIN PERFORMANCE MONITORING

Performance metrics are detailed in Appendix 1 covering period March to May 2024.

The pension fund is looking at new SAB annual report guidance around admin KPIs. A separate report has been prepared covering this.

FUTURE WORK PLANNING

21. Pension Services has signed up to a wider Finance Directorate Business Plan over 2024/25. All admin and IT related objectives will be shared with the Board once signed off by the Strategic Director, Finance.

CONCLUSIONS

22. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.
23. There will continue to be some reliance on specialist external support. However, with internal training now firmly established and taking place each week, 95% of all BAU and project work is managed in-house by Pension Services.

KEY ISSUES FOR CONSIDERATION

Policy framework implications

24. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

25. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

26. There are no immediate implications arising from this report.

Health impact statement

27. There are no immediate implications arising from this report.

Climate change implications

28. There are no immediate implications arising from this report.

Resource implications

29. There are no immediate implications arising from this report.

Legal implications

30. There are no immediate implications arising from this report.

Financial implications

31. There are no immediate implications arising from this report.

Consultation

32. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS Director of Law and Governance

33. Not applicable.

Strategic Director, Finance

34. Not applicable.

Other officers

35. Not applicable.

AUDIT TRAIL

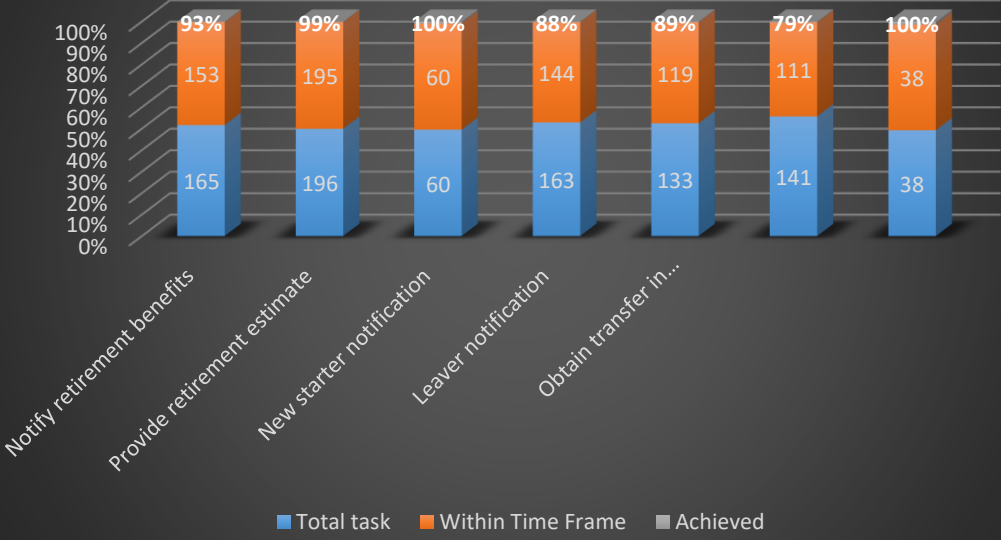
Lead Officer	Clive Palfreyman, Strategic Director, Finance	
Report Author	Barry Berkengoff, Head of Pensions Operations, Finance	
Version	Final	
Dated	27 June 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here	N/a	N/a
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

APPENDIX 1

Admin Metrics – March, April and May 2024

	Total Tasks	Within Time frame	Achieved	
Notify Retirement Benefits (Within One Month of Retirement)	165	153	93%	↓
Provide Retirement Estimate/ Quote on request	196	195	99%	↑
New Starter Notification joining the LGPS	60	60	100%	→
Inform member who left scheme of leaver rights and options	163	144	88%	↓
Obtain transfer details for transfer in, calculate and provide quote	133	119	89%	↑
Provide transfer out (CETV) request (Three months from date of request)	141	111	79%	↓
Calculate and notify dependants about death benefits	38	38	100%	→

Admin Metrics



Item No. 8	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Southwark Pension Fund – Breaches Log	
Ward(s) or groups affected:		None	
From:		Head of Pensions Operations, Finance	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update on breaches during 2024-25.

BACKGROUND INFORMATION

2. Irrespective of origin (Employer or Administering Authority), the pension fund records all legal and data breaches, and these are reported to the Board every six months.
3. Additionally, all data breaches are reported to the Corporate Information Governance Manager, and the pension fund prepares a report to the Corporate Governance Panel (**CGP**) twice a year covering all pension fund breaches.
4. Breaches that are reported to the Pensions Regulator (the **Regulator**) are also reported to the Board as well as the CGP.

UPDATE AT JULY 2024

Attached as Appendix 1 is an updated 2024-25 breaches log, which contains all carried forward items and any recent breaches, including details of actions taken.

All material breaches are reported to the Regulator along with details of why the event occurred and a proposal to remedy matters within a specified timeframe. The pension fund will be guided by the Regulator if it wishes to investigate matters further.

Whilst the pension fund aims to minimise breaches some remain outside of its control; namely employer or payroll matters that have an impact on the pension fund.

The pension fund takes breaches seriously as part of its regulatory responsibilities in promoting good governance and working in partnership with the Regulator whose primary role is to help safeguard pension benefits.

KEY ISSUES FOR CONSIDERATION

5. Not applicable.

Policy framework implications

6. There are no immediate implications arising from this report.

**Community, equalities (including socio-economic) and health impacts
Community impact statement**

7. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

8. There are no immediate implications arising from this report.

Health impact statement

9. There are no immediate implications arising from this report.

Climate change implications

10. There are no immediate implications arising from this report.

Resource implications

11. There are no immediate implications arising from this report.

Legal implications

12. There are no immediate implications arising from this report.

Financial implications

13. There are no immediate implications arising from this report.

Consultation

14. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

15. Not applicable.

Strategic Director - Finance

16. Not applicable.

Other officers

17. Not applicable.

APPENDICES

No.	Title
Appendix 1	Updated Breaches Log 2024-25

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director - Finance	
Report Author	Barry Berkengoff, Head of Pensions Operations - Finance	
Version	Final	
Dated	27 June 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	N/a
Strategic Director of Finance	No	N/a
List other officers here	N/a	N/a
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Breaches Log 2024-25		
Date of Breach	Description of Breach	Report to tPR?
01/12/2020 c/forward	Haberdashers Aske is a new free school started within Southwark https://www.habsborough.org.uk School contacted us but are still taking no action. ACTIONS : Awaiting further contact from the school.	No
01/12/2020 c/forward	Movement of non paid refund monies (over five years) from pension fund account to new bank account not occurring. ACTIONS : Waiting regulatory clarity.	No
01/12/2020 c/forward	Injury Allowance (IA) has no current valid policy in place, a member being paid IA had reached age of 65 in February 2021. ACTIONS : HR working on a revised IA policy. Has been escalated to HR Policy team.	No
01/12/2020 Closed	Notification of employee contribution bandings (changes) - no notifications are being sent by Southwark in its employer function. ACTIONS : Southwark Council Payroll now has a process in place.	No
01/12/2020 c/forward	Discretionary and IDRPs policies not held for all external employers. ACTIONS : All external employers have been contacted and asked to submit their discretionary policies and the names of their appointed person(s) for appeals. Training also available on MyLearningSource and will be communicated again to employers.	No
01/04/2021 Closed	Newlands Academy outsourced catering staff via TUPE to Aspens in April 2021 without informing the Fund and before an Admission Agreement had been put in place. The Fund could not confirm the status of the members of staff who had been affected, including one who had joined the day before the TUPE. ACTIONS : Contribution Rate agreed, but Admission Agreement is still outstanding. The Regulator responded saying they would not	Yes

Breaches Log 2024-25		
Date of Breach	Description of Breach	Report to tPR?
	<p>interfere as it may delay matters further and be detrimental to the process.</p> <p>Admission Agreement now in place (June 2024).</p>	
01/12/2022 Closed	<p>Employee contributions bandings claimed as being incorrect on SAP Payroll system with some employees having had higher pension contributions deducted from pay.</p> <p>ACTIONS : Reported to the Regulator and advised that Council HR/Payroll are resolving with SAP Consultant, Zalaris. No further action required at this stage.</p> <p>New SAP contribution deduction Policy in place and Payroll are doing monthly checks.</p>	Yes
11/05/2023 Closed	<p>A data breach where a list of deceased members were sent to a Southwark department.</p> <p>ACTIONS : Matter referred to Information Governance Team who confirmed that technically it was not a personal data breach, as data protection does not apply once someone passes away, therefore logged as an "incident" only.</p>	No
11/05/2023 Closed	<p>A number of stage 1 IDRPs appeals against Southwark Council as employer had passed two-month action period.</p> <p>ACTIONS : Technically, employer should be reported to Secretary of State however this action was rejected by former Strategic Director of Finance & Governance.</p> <p>The Head of HR Shared Services has now dealt with individual cases.</p>	No
24/08/2023 c/forward	<p>Auto Enrolment (AE) – tPR contacted Southwark Council (as employer) to raise concerns that there may be an operational risk with the AE process.</p> <p>ACTIONS: Council (with pension fund support) is working with the Regulator to identify any potential risks around the AE process.</p>	No

Breaches Log 2024-25		
Date of Breach	Description of Breach	Report to tPR?
01/09/2023 Closed (2023)	<p>Annual Benefit Statement (ABS) production delayed due to employer data issues and/or year-end data not uploaded to UPM Employer Hub resulting in delayed issue of 2023 ABS.</p> <p>ACTIONS : Reported to the Regulator who has taken no further action.</p> <p>Council ABS and some schools ABS issued January/February 2024.</p>	Yes
Over 2023/24 c/forward	<p>Cintra, a payroll provider for two Southwark schools had stopped paying contributions to teachers and LGPS pensions.</p> <p>ACTIONS : reported to Regulator 28 December 2023 and currently awaiting a response.</p> <p>Cintra has since passed payroll contract over to NeoPeople in April 2024, however some issues remain with some teachers having underpaid pension contributions.</p>	Yes

Item No. 9	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Cyber Security Assessment – LBS Pension Fund	
From:		ESG Manager, Treasury and Pensions	

RECOMMENDATIONS

The Local Pension Board (the Board) is asked to:

- Note the findings of the cyber security assessment of the Fund’s investment managers.

BACKGROUND INFORMATION

1. Cyber security involves the implementation of policies and procedures in order to protect an organisation’s computer systems and data. The Fund holds large amounts of data with investment managers and holds members’ data in its pensions system.
2. In line with earlier years, we have requested responses from all of the Fund’s investment managers in relation to applicable policies and their approach to cyber security. This is to ensure that there are effective cyber security policies in place and to highlight areas of any improvement.
3. This report has been prepared in line with the UK National Cyber Security Centre’s (NCSC) Cyber Essentials Standards for IT Infrastructure, which is the only national standard for IT security. This standard does not explicitly certify risk but is a way of foregrounding key technical cyber security controls, which can help mitigate and minimise risk of successful cyber-attacks.
4. The latest guidance (v3.1) of the NCSC Cyber Essential Standards available is what was published in April 2023 which requires assessment against the following technical control areas:
 - a. Firewalls: To make sure that only secure and necessary network services can be accessed from the internet.
 - b. Secure configuration: To ensure that computers and network devices are properly configured to reduce vulnerabilities and provide only the services required to fulfil their role.
 - c. Security update management: to ensure that devices and software are not vulnerable to known security issues for which fixes are available.
 - d. User access control: Ensure that user accounts are assigned to authorised individuals only and that such access is provided to only those applications, computers and networks the user needs to carry out their role.
 - e. Malware protection: To restrict execution of known malware and untrusted software, from causing damage or accessing data.

CYBER SECURITY REVIEW

5. A review of the IT security policies of the Fund's 17 investment managers, JP Morgan, the Fund's custodian and NatWest, the Fund's banking provider has been undertaken to assess both their preparedness against each of the five technical control areas and in-turn the Fund's potential risks associated with cyber security.
6. All 19 organisations have been contacted regarding their cyber security policies. Responses have been received from all those contacted.
7. Each of those who responded to requests for details on their cyber security policies confirmed they did have IT security policies active and in place.
8. Many of the fund managers who responded are limited as to what information they can share regarding the policies that they have in place, as these are considered commercially secret. In such instances, we have specifically requested them to provide a brief summary of applicable policies and processes in place with respect to each of the five technical control areas listed earlier.
9. The information in this report reflects the information that has been shared with the Fund officers but there may be further policies in place for the investment managers which the Fund officers are not aware of.
10. Table 1 below shows a condensed summary of the responses received from all 19 organisations against the five technical control areas of the NCSC's Cyber Essentials Standards.

Table 1 Summary of responses provided

Cyber Essentials Standard: Technical Control Area	Application and Aim of the Technical Control Area	Number of bodies meeting the standard in their IT policies/responses
Firewalls	<p>Applies to: boundary firewalls, desktop computers, laptops, routers, servers, IaaS, PaaS, SaaS</p> <p>Aim: To make sure that only secure and necessary network services can be accessed from the internet</p>	19
Secure configuration	<p>Applies to: servers, desktop computers, laptops, tablets, mobile phones, thin clients, IaaS, PaaS, SaaS</p> <p>Aim: Ensure that computers and network devices are properly configured to:</p> <ul style="list-style-type: none"> • reduce vulnerabilities • provide only the services required to fulfil their role 	19

Cyber Essentials Standard: Technical Control Area	Application and Aim of the Technical Control Area	Number of bodies meeting the standard in their IT policies/responses
Security update management	<p>Applies to: servers, desktop computers, laptops, tablets, mobile phones, firewalls, routers, IaaS, PaaS, SaaS</p> <p>Aim: Ensure that devices and software are not vulnerable to known security issues for which fixes are available.</p>	19
User access control	<p>Applies to: servers, desktop computers, laptops, tablets, mobile phones, IaaS, PaaS, SaaS</p> <p>Aim: Ensure that user accounts:</p> <ul style="list-style-type: none"> • are assigned to authorised individuals only • provide access to only those applications, computers and networks the user needs to carry out their role 	19
Malware protection	<p>Applies to: Servers, desktop computers, laptops, tablets, mobile phones, IaaS, PaaS, SaaS</p> <p>Aim: To restrict execution of known malware and untrusted software, from causing damage or accessing data.</p>	19

11. All 19 respondents met all five cyber essentials standards in their responses. This is an improvement on last year's reporting, where certain investment managers had some gaps in meeting all five standards or did not respond to our requests in relation to the cyber security assessment.

12. A full summary of all 19 responses is included in Table 2 below.

Table 2: Full Summary of Cyber Risk Audit

Body	Contacted	Responded	NCSC Cyber Essentials Standard				
			Firewalls	Secure configuration	Security update management	User access control	Malware protection
BlackRock	✓	✓	✓	✓	✓	✓	✓
Blackstone	✓	✓	✓	✓	✓	✓	✓
Brockton	✓	✓	✓	✓	✓	✓	✓
BTG Pactual	✓	✓	✓	✓	✓	✓	✓
Comgest	✓	✓	✓	✓	✓	✓	✓

Body	Contacted	Responded	NCSC Cyber Essentials Standard				
			Firewalls	Secure configuration	Security update management	User access control	Malware protection
Darwin	✓	✓	✓	✓	✓	✓	✓
Frogmore	✓	✓	✓	✓	✓	✓	✓
Glennmont Partners*	✓	✓	✓	✓	✓	✓	✓
Invesco	✓	✓	✓	✓	✓	✓	✓
JP Morgan (custodian)	✓	✓	✓	✓	✓	✓	✓
LGIM	✓	✓	✓	✓	✓	✓	✓
LCIV	✓	✓	✓	✓	✓	✓	✓
M&G	✓	✓	✓	✓	✓	✓	✓
NatWest (banker)	✓	✓	✓	✓	✓	✓	✓
Newton	✓	✓	✓	✓	✓	✓	✓
Nuveen*	✓	✓	✓	✓	✓	✓	✓
Northern Trust	✓	✓	✓	✓	✓	✓	✓
Robeco	✓	✓	✓	✓	✓	✓	✓
Temporis	✓	✓	✓	✓	✓	✓	✓

*Nuveen and Glennmont Partners have now merged and are part of the same legal organisation. We have received a common response on additional clarifications requested following review of standalone cyber security policies shared initially.

CONCLUSION

13. Cyber security remains a key area of focus for the Fund. It is included in the assessment of new investment opportunities, and it will be key to ensuring the safety and resilience of scheme member data held by the Fund.

Community, Equalities (including socio-economic) and Health Impacts

14. Community Impact Statement

No immediate implications arising

15. Equalities (including socio-economic) Impact Statement

No immediate implications arising

16. Health Impact Statement

No immediate implications arising

17. Climate Change Implications

No immediate implications arising

18. Resource Implications

No immediate implications arising

19. Legal Implications

No immediate implications arising

20. Financial Implications

No immediate implications arising

21. Consultation

No immediate implications arising

AUDIT TRAIL

<i>Lead Officer</i>	Clive Palfreyman, Strategic Director of Finance	
Report Author	Spandan Shah, Interim ESG Manager	
Version	Final version	
<i>Dated</i>	24 June 2024	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Item No. 10	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Pension Fund Statement of Accounts & Audit Findings Reports 2021-22 and 2022-23	
From:		Chief Investment Officer, Treasury and Pensions	

Recommendations

The LPB is asked to:

- Note the Pension Fund Audit Findings reports as issued by Grant Thornton, as Appendix A.

Background Information

1. The pension fund statement of accounts for 2022-23 was published on 30 June 2023, with the audit of the accounts commencing in November 2023. The statement of accounts for 2021-22 and 2022-23 can be accessed via the following link: [Statement of accounts - Southwark Council](#)

Audit Opinion

2. Grant Thornton has granted an unqualified opinion on the council and pension fund statement of accounts for both 2021-22 and 2022-23. The audit findings reports (AFR) by Grant Thornton on the pension fund statement of accounts are attached as Appendix A.
3. The purpose of Grant Thornton's AFR is to detail their findings and matters arising during the course of auditing the financial statements.
4. The 2022-23 AFR sets out an action plan which includes management recommendations regarding the financial statements. This is set out on page 20 of the report. Following Grant Thornton issuing the AFR, we have provided a management response to each recommendation as follows:

Recommendation	Management Response
Management should review the UPM system and ensure that key reports to support the audit are available to be run	The process of building a full suite of Audit, Finance and Management reports is ongoing and Civica is providing support for this vital function. Additionally, in recent weeks a number of Pension Fund Data/IT Officers have been appointed with direct SQL database knowledge to ensure this process can be fully automated.
We recommend that management obtain a formal IAS26 report to state the year end actuarial liability on an annual basis	Our interpretation of the application of option B under IAS26 has been applied since 2012. This approach has been taken on the advice of the Fund's actuaries, and hasn't previously been challenged during pension fund audits. However, management will take this recommendation on board and ensure that the gross liability is updated on an annual basis, thereby improving the quality and clarity of the information available to readers of the pension fund accounts.
We recommend that management perform Analytical Reviews of the key notes in the accounts and ensures all significant movements are understood to avoid the risk of errors in the financial statements	A process has been implemented which includes quarterly reconciliations of custodian to fund manager valuations. This will ensure such potential overstatements will be identified and avoided in future. To ensure a robust review process is fully in place, an analytical review will be conducted as part of the 2023-24 closing process.

5. Key adjustments to the accounts which were identified during the audit related to level 3 investment valuations. Between the accounts being prepared and the commencement of the audit, more up to date valuation information became available for level 3 investments held by the Fund. Details are set out on page 23 of the AFR. These were deemed to be an adjusting event and were therefore adjusted in the pension fund accounts.

Community, Equalities (including socio-economic) and Health Impacts

6. Community Impact Statement

No immediate implications arising

7. Equalities (including socio-economic) Impact Statement

No immediate implications arising

8. Health Impact Statement

No immediate implications arising

9. Climate Change Implications

No immediate implications arising

10. Resource Implications

No immediate implications arising

11. Legal Implications

No immediate implications arising

12. Financial Implications

No immediate implications arising

13. Consultation

No immediate implications arising

APPENDICES

No.	Title
Appendix A	Audit Findings Reports – 2021-22 and 2022-23

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final	
<i>Dated</i>	27 June 2024	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		

The Audit Findings for London borough of Southwark Pension Fund

Year ended 31 March 2022

Southwark Council

October 2023

Southwark Council

This is an update to the Interim report previously presented to the Audit, Governance and Standards Committee in November. Updates to the Interim report have been made in red text.

January 2024



Contents



Your key Grant Thornton team members are:

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1. Headlines
2. Financial statements
3. Independence and ethics

Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D Audit Opinion

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Southwark Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our work on the Pension Fund took place concurrently with the audit of the Council. Our work was scheduled to be completed from October 2022 to January 2023. The team continued working on the audit in February and March 2023 due to some delays on the Pension Fund and Council audit.

Our work is nearing completion, and we are working towards completing our audit work by the end of the 2023 calendar year. Due to the passage of time, there have been internal changes to the staff meaning the Key Audit Partner and Senior Manager have changed. Due to the changes in team members, there is a requirement for us to rereview work and areas requiring further work to bring them to completion. To enable us to complete the work as effectively as possible we will be sharing a log of what remains left to complete the audit.

Due to us having to work on Health audit clients and other Local authorities audits due to the overall audit backlog the team began work on the Council in mid-October. Since that point there have been changes to the audit team and we have not yet started the closure of the Pension Fund 2021-22 audit. This was to allow the Pension Fund team time to prioritise updating the financial statements in relation to adjustments identified from September valuations to the 2022-23 financial statements. We therefore need to pick up with the Pension Fund team about the status of the above queries and appreciate the above list may not be fully updated

The team have now completed their review of the remaining work. From this one significant adjustment has been agreed with management in relation to the Investments held. This was due to more up to date valuation becoming available after the accounts were prepared. This led to the accounts requiring the Investments to be increased by £18.4m. This has also resulted in a number of other related notes requiring adjustment in the financial statements. Our work is now near completion, with the following work left noted below:

- Completion of final file reviews.
- receipt of management representation letter and
- review of the final set of financial statements – we are currently performing our final quality checks on this.
- Receipt of final information required to complete Member data testing for LGPS members on school payroll systems.

Our anticipated audit report opinion will be unmodified.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit, Governance and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Our work is nearing completion following the conclusion of the outstanding matters noted on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. We note the overall audit backlog in the sector is frustrating for both parties and we thank the team for their patience as we have worked through the audit process.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been updated since the audit plan to reflect the increased net assets position at the Pension Fund. We have continued to apply 1% to the net asset base in determining the materiality levels.

Pension Fund Amount (£) Qualitative factors considered

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	21 million	This represents 1% of the Net Assets reported at 31 March 2022.
Performance materiality	14.7 million	This represents 70% of the Materiality threshold above.
Trivial matters	1.1 million	This represents 5% of the overall materiality.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work is now complete, and no issues were identified in relation to Management override of Controls.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Level 3 investments (including Private Equity, Pooled properties and Infrastructure)

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore have identified Valuation of Level 3 Investments as a significant risk for Private Equity and Infrastructure investments.

We have:

- evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;
- independently requested year-end confirmations from investment managers and the custodian;
- for the private equity (£28.12m) and infrastructure funds (£75.98m), obtained audited financial statements for the investments as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2022.
- performed additional testing for the full pooled property investments (£92.88m) by using indices obtained externally to benchmark against those used by the Fund Manager.
- evaluated the competence, capabilities and objectivity of the valuation expert; and
- review investment manager service auditor report on design and operating effectiveness of internal controls.

Following our work performed on 3 level 3 investments held there were variances identified totalling £18.4m, which indicated the Investments at the Year-end were understated. The reason for this difference was at the date the accounts were prepared these more up to date valuations were not available. In our assessment of IAS 10 we deem this an adjusting post balance sheet event and it has been agreed with management that this will be updated in the final accounts.

Our work is substantially complete, with the final quality checks being undertaken.

The valuation of Direct Property is incorrect (Level 3)

The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£230.6 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- independently request year-end confirmations from investment managers and custodian and assessed their responses as part of our work.
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We have also engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation.
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's asset register/financial records
- where available, we have reviewed investment manager service auditor report on design effectiveness of internal controls.

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.

2. Financial Statements - other communication requirements



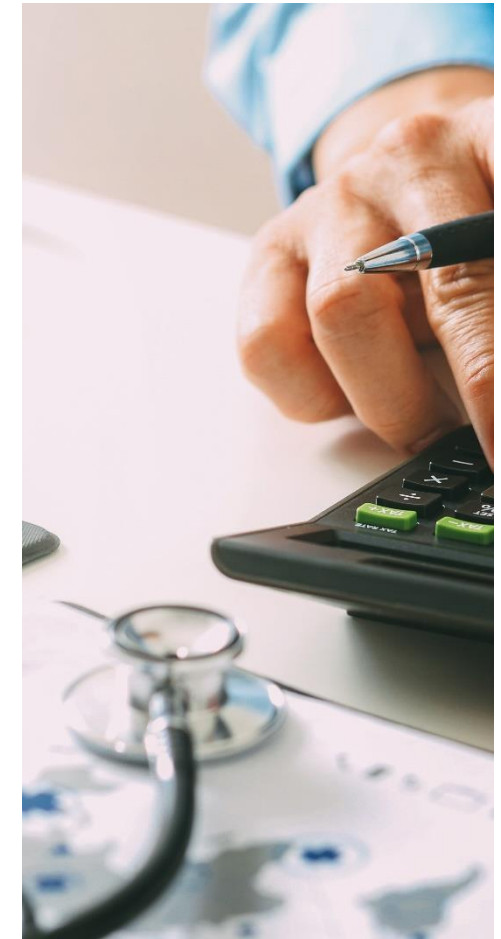
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Disclosures	No inconsistencies have been identified have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have completed our review of the Pension Fund Annual Report and expect to issue our Consistency statement at the same date we issue the opinion to the financial statements.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Appendices

A. Follow up of prior year recommendations

We identified the following issues in the audit of Southwark Pension Fund's 2020/21 financial statements, which resulted in 1 recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>Issues over Member Data</p> <p>In 2016/17 we identified errors during our testing of the client's Member Data, which thus could have a potential impact on the accuracy of the data provided to the Actuary. This could then have a potential impact on the valuation provided by the Actuary to the Fund, although the risk of this is low.</p> <p>The Council has undertaken extensive data cleansing during 2017-18 and 2018-19 as part of the production of the annual benefit statements and also through the implementation of i-Connect software in all admitted bodies, scheduled bodies and schools which has significantly improved the quality of data held. The enhanced Member Self Service portal which facilitates member updates of data is now live and members will be made aware of this through newsletters. These will include activation keys which it is hoped will encourage them to log in.</p>	<p>The Pension Fund has procured new pensions administrations software to replace its current system. This is a phased project and as part of the implementation process a full data quality check will be undertaken. The new system provides for much improved Member and Employer Self-Service Portals, allowing members to log in securely and check/update basic member data.</p> <p>Employers will be able to submit monthly returns though the secure portal and see any outstanding tasks, such as outstanding leaver forms or requests for data. Forms will be able to be completed 'online' rather than paper-based which is hoped will further improve employer compliance via increased convenience.</p> <p>The fund is aware of the increased scrutiny on LGPS data by The Pension Regulator has taken measures to ensure member data is as accurate as it can be.</p> <p>We have performed testing on Member data as part of our final Accounts audit visit. The review and conclusion of this work is yet to be completed and we will provide an update on our findings and this control point in the final Audit Findings report.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

B. Audit Adjustments – Main Statements

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Fund Account £m	Net Asset Statement £m
<p>Variances identified in level 3 Investments</p> <p>Due to the timing of when the accounts were prepared and the audit period more up to date valuation information came available for 3 Investments held. This indicated Investments were understated by £18.4m. Per our consideration of IAS 10 we deem this to be an adjusting Event after the reporting period and therefore have agreed with management this will be adjusted in the final Pension Fund accounts.</p>	<p>Profit and losses on disposal of investments and changes in market value of investments CR 18.4m</p>	<p>Investment Assets</p> <p>DR – 18.4m</p>
Overall impact	CR £18.4m	DR £18.4m

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of misstatements

We are still in discussion with management regarding audit queries relating to Investments balances held at the year end. To date we have not finalised our work regarding any misstatements to the Fund Account or Net Asset Statement.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Fund Account	The Prior period figures in the Fund Account were changed for Investment Income and Management expenses in the draft accounts. Following discussions with officers it was determined this was not required and the figures have changed back to the previously audited balances.	✓
Accounting policies and Other notes –minor presentational adjustments	In our work a number of minor presentational amendments were identified and agreed with management.	✓
Note 6 Contributions receivable	The AVC balance which is significantly below materiality disclosed as a narrative has not been updated in 21-22 with the prior year figure being used of £3.6m.	X
Audit fees- Note 10	Per note 10 the audit fees were stated at £21k which is £16k different to the fee communicated per the Audit plan.	TBC
Note 12 Investments	Note 12 Investments required updates to reflect the adjustments noted on the previous page. In addition a prior period adjustment that was not deemed as required had been put through on the prior year figures and this also required updating in the final version of the accounts.	✓
Note 12 Investments	Note 12 Investments discloses £73m of other Investments. Per IAS 1 requirements the category other should not be used for material classes of transactions. From our work we have established £43m of the Investments relate to money market Investments and £30m relate to natural resource funds in this category.	✓
Note 19 –Funding Arrangements	The information in this note required updating with the more up to date information resulting from the triennial Pension Valuation.	✓
Note 20 – Actuarial Present Value of Promised Retirement Benefits	As noted earlier the Pension Fund had to consider the more up to date triggered by the triennial Pension Valuation, leading to material adjustments in the note.	✓

C. Fees

We confirm below our final fees charged for the audit and.

Audit fees	2020-21 Final Fee	2021-22 Fee
Per Audit Plan	£36,770	£36,770
Additional work relating to Triennial Pension Fund valuation	Nil	£6,000
Additional work required on Investment Valuations	Nil	3,500
Total audit fees (excluding VAT)	£36,770	£46,270

We have not identified any non-audit fees for the Pension Fund.

Status of the audit and opinion

Appendix D - Audit opinion

Our anticipated audit report opinion will be unmodified dependent on the satisfactory resolution of the matters noted in this report and no matters coming to our attention that would materially impact the Financial Statements.



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The Audit Findings for London borough of Southwark Pension Fund

Year ended 31 March 2023

31 March 2023 [DRAFT FOR DISCUSSION AND
SUBJECT TO COMPLETION OF OUR AUDIT
PROCEDURES]



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of SSWP Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit fieldwork was undertaken from January 2024 to March 2024. Our findings are summarised on pages 4 to 14. We have identified 4 adjustments to the financial statements that have resulted in a £39m upward adjustment to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

From the work performed it was identified that from the draft accounts prepared on the 30th June that the Net assets had increased by £43m. Our work is nearing completion complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- Completion of final file reviews.
- receipt of management representation letter and
- review of the final set of financial statements –which has appropriately accounted for the adjustments set out in Appendix D.
- Receipt of updated response from Actuary in relation to actuarial disclosures

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

Our anticipated audit report opinion will be unmodified.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on the same date we issue our audit opinion.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit, Governance and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Our work is nearing completion following the conclusion of the outstanding matters noted on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. We note the overall audit backlog in the sector is frustrating for both parties and we thank the team for their patience as we have worked through the audit process.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Note for the Main statements materiality we have applied a performance materiality of £14.2m. And for our Fund Account audit a Performance materiality of £4.9m.

Pension Fund Amount (£) Qualitative factors considered

Materiality for the financial statements	20.3m	Based on a percentage of the Assets held.
Trivial matters	1.15m	This is our reporting threshold for the audit.
Materiality for fund account	7m	This is set as a percentage of the total expenditure of the Fund which is largely made up of Benefits Payable. This is applied to Benefits Payable and Contributions in the Fund Account. And a lower materiality is set to ensure sufficient procedures are undertaken on the Fund Account.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determine the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work is now complete, and no issues were identified in relation to Management override of Controls.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments (including Private Equity, Pooled properties and Infrastructure)

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore have identified Valuation of Level 3 Investments as a significant risk for Private Equity and Infrastructure investments.

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;
- independently requested year-end confirmations from investment managers and the custodian;
- for the private equity (£50.4m) and infrastructure funds (£190.4m), obtained audited financial statements for the investments as at 31 December 2021 and we have reconciled any cash movements between the intervening period to 31 March 2023.
- performed additional testing for the full pooled property investments (£92.7m) by using indices obtained externally to benchmark against those used by the Fund Manager.
- evaluated the competence, capabilities and objectivity of the valuation expert; and
- review investment manager service auditor report on design and operating effectiveness of internal controls.

Compared to the draft Financial statements we identified adjustments totalling 26.3m which indicated the investments in the year end draft accounts were understated. The reason for this difference was at the date the accounts were prepared these more up to date valuations were not available. In our assessment of IAS 10 we deem this an adjusting post balance sheet-event and it has been agreed with management that this will be updated in the final accounts.

In addition, when reviewing the most recent valuation date of the Funds two variances were identified both below our materiality levels and netted of too 1.4m. This is not a factual error, but an uncertainty identified in the balance.

Our work is now complete with no further issues identified.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

The valuation of Direct Property is incorrect [Level 3]

The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£194,3 million) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at 31 March 2023.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- independently request year-end confirmations from investment managers and custodian and assessed their responses as part of our work.
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We have also engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation.
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's asset register/financial records
- where available, we have reviewed investment manager service auditor report on design effectiveness of internal controls.

In the directly held property the assets showed a reduction in their valuation by £22.3m compared to the prior year. From our work there are no matters we are required to report to those charged with Governance and our work is now complete on this area.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

This review focuses on the design of controls in place around each system and not their operating effectiveness.

ITGC control area rating

IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Additional work performed	Findings
SAP	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Additional work was required when reviewing Journal users to consider the risks identified around users within the system. Note it was identified the users with these super user access rights were not significantly involved in the financial accounts closedown process upon our review.	See Appendix C for findings.
NEC	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	Additional work was required when reviewing Journal users to consider the risks identified around users within the system. Note it was identified the users with these super user access rights were not significantly involved in the financial accounts closedown process upon our review.	See Appendix C for findings.





Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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This review focuses on the design of controls in place around each system and not their operating effectiveness.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Additional work performed	Findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
UPM	Detailed ITGC assessment (design and implementation)					No additional work identified from ITGC work findings.	Although we did not identify any significant control deficiencies around the UPM system, there were specific challenges in obtaining data from the new system. This review relates to the controls design and did not review the operation of the new system.

We also performed specific procedures in relation to the significant changes during the audit period, specifically the new system. We observed the following results:

IT system	Event	Result	Related significant risks / risk / observations
UPM	New System Implementation		N/A

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: Information Technology

This section provides details of additional work undertaken around the IT system change.

Work Undertaken

Transfer of Member Data between Systems

On the 1st May 2022 the Pension Fund transferred its data from Altair to Oracle UPM. This required the transfer of all member held records on the outgoing system onto the new system, this information is key to the calculation of a number of key Pension tasks such as the Pensions due to members upon retirement. Thus in our work we had to consider the risk that the data transfer was not accurate and that members could be paid incorrect balances. Therefore, this was a new risk for this year's audit.

As noted on the previous slide our IT team performed a review of the controls in place regarding this. In doing so they noted they were appropriate and therefore we identified this as an Other risk and not a significant risk.

Commentary

In respect of this area, we have performed the following work:

- Reviewed the processes and controls which have been put in place by the Pension Fund to ensure the effective transfer of data between the two systems.
- Reviewed internal reconciliations performed regarding the internal transfer.
- Engaged our IT specialists to undertake a detailed review of the controls around the systems change to ensure their appropriateness.
- Undertaken detailed upstream and downstream testing of the transfer of data. This involved testing information from the old system to the new system and vice versa.

From our work although we identified no issues around the data transfer. We did identify that there were challenges around the usage of the new system and running reports of the system to support the audit. These issues are noted on the next slide.

No further issues were identified from our work.

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit

Significant matter	Commentary
UPM system- Obtaining Key reports	<p>We encountered challenges obtaining data from the new UPM system, in relation to Benefits Payable and Membership data. These two aspects are key parts of the audit requests, and this impacted the timeliness of the audit.</p> <p>Although we are satisfied sufficient data was provided to support the member data held at the year end and the Benefits payable listing it did mean we were not able to substantively test benefits paid in April 2022. Given the amounts spent were in line with our analytical procedures and the monthly spend itself was not material we were able to gain comfort over this balance, regarding the risk of material misstatement. But note this did limit our audit procedures on this month's spend, which totalled £5m.</p>
Valuation Of Investments and changes in disposals and purchase figures	<p>As in the previous year our audit identified material changes in the Pension Investment valuations. This was also the case for purchase and sales data. This issue arose due to the fact more up to date information had been provided on these figures after the accounts were prepared. We had agreed with management that we would delay the start of the audit so these amendments could be made prior to our audit. However, due to changes in key staff personal this did not take place and material adjustments were identified following our audit process.</p>
Key Changes in staff personnel	<p>The Pension Fund had employed a contractor to prepare the draft Pension Fund accounts. Due to this staff member leaving the team a newly hired team member had to respond to the audit queries as the primary point of contact. This did create some inefficiencies in the audit process due to them having to familiarise themselves with the Pension Fund and the fact they had not prepared the accounts we were auditing.</p> <p>In addition, since the draft accounts prepared on the 30th June 2023 which was approved an updated version was prepared for the audit on the 29th November. We had requested management for a list of the changes made between versions and the reasons for the changes, this was not provided or available. With key staff then leaving we have been unable to receive detailed explanations for the movements between the versions. We have undertaken our audit on the updated accounts in November but for transparency in Appendix D we have identified the lines that have been amended in the Main statements between versions.</p> <p>We appreciate the support the team have offered us in undertaking the audit in what were challenging circumstances. However, the factors noted above did elongate the time spent concluding our audit procedures.</p>
Actuarial disclosure	<p>In the CIPFA code there are three options set out for Pension Funds to consider within the Actuarial note. The Pension Fund has elected to follow option B which states the latest annual valuation should be presented in the note. Our interpretation and that of management differs, in that our view this means that on an annual basis the Pension Fund should obtain from the actuary the gross liability of the Pension fund. We consider this key information for the Pension Fund and to the readers of the accounts as this effectively shows the overall surplus/deficit the Fund is on an annual basis.</p> <p>We have requested management obtain confirmation from the actuary what the Year end value is relating to this and add this to the financial statements. Management have agreed to restate this note with the latest information and have requested this from the actuary.</p>

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.

2. Financial Statements: other communication requirements



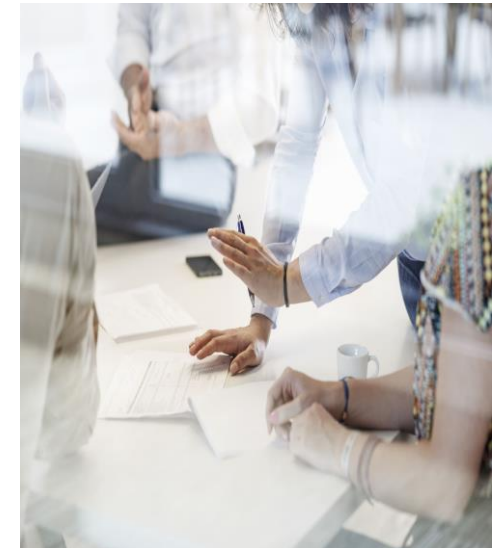
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by Southwark Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified although a number of audit adjustments noted in Appendix D have required amending.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on the same day we issue our financial statements opinion.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff.

We confirm that we have not identified any non audit fees related to the Pension Fund. Given this we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● High	<p>Key reports being run of the UPM system</p> <p>We encountered challenges obtaining Benefits payable and member data listing from the UPM system. We understood from discussions there had been challenges on the new system having reports written to enable this to take place. This meant that instead a more manual and time-consuming process was required to provide the information we required to audit these balances.</p> <p>It also meant that we were unable to obtain these listings for the April period the month prior to the transfer to the UPM system.</p>	<p>Management should review the UPM system and ensure that key reports to support the audit are available to be run.</p> <p>Management response</p> <p>xxx</p>
● High	<p>Management should obtain from the Actuary on an annual basis the latest Actuarial liability position on an annual basis to comply with the Code requirements</p> <p>In the CIPFA code there are three options set out for Pension Funds to consider within the Actuarial note. The Pension Fund has elected to follow option B which states the latest annual valuation should be presented in the note. Our interpretation and that of management differs, in that our view this means that on an annual basis the Pension Fund should obtain from the actuary the gross liability of the Pension fund. We consider this key information for the Pension Fund and to the readers of the accounts as this effectively shows the overall surplus/deficit the Fund is on an annual basis.</p> <p>We consider this key information to the Accounts and to inform the Pension fund on how it is performing in meeting the future needs of the Fund.</p>	<p>We recommend that management obtain a formal IAS 26 report to state the year end actuarial liability on an annual basis.</p> <p>Management response</p>
● Medium	<p>Management should perform an Analytical review and understand unusual movements in the Pension Fund Accounts</p> <p>In our review of the Fund Accounts, we identified an unusual increase in Other Current liabilities, which had significantly increased year on year. Typically, at a Pension Fund the overall Non current liability balance would not be high. However, at the year-end there had been a significant increase, which was largely explained by an £11.5m Journal posting that had been misallocated.</p> <p>We note we would of expected this type of error to have been identified in managements review of the Pension Fund accounts.</p>	<p>We recommend that management performs Analytical reviews of the key notes in the accounts and ensures all significant movements are understood to avoid the risk of errors in the Financial statements.</p> <p>Management response</p> <p>xxxx</p>

- High – Significant effect on financial statements
- Medium – Limited effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Southwark Pension Fund's 2021/22 financial statements, which resulted in 1 recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Issues over Member Data</p> <p>In 2016/17 we identified errors during our testing of the client's Member Data, which thus could have a potential impact on the accuracy of the data provided to the Actuary. This could then have a potential impact on the valuation provided by the Actuary to the Fund, although the risk of this is low.</p> <p>The Council has undertaken extensive data cleansing during 2017-18 and 2018-19 as part of the production of the annual benefit statements and also through the implementation of i-Connect software in all admitted bodies, scheduled bodies and schools which has significantly improved the quality of data held. The enhanced Member Self Service portal which facilitates member updates of data is now live and members will be made aware of this through newsletters. These will include activation keys which it is hoped will encourage them to log in.</p>	<p>The Pension Fund has procured new pensions administrations software to replace its current system.</p> <p>Following this implementation, we encountered challenges obtaining information from this new system to audit both the membership data and benefits Payable. Following the receipt of this information we found similar issues as in previous years in relation to obtaining data that sits outside the Councils payroll system and for older cases.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit/Management Adjustments – Main Statements

Impact of adjusted misstatements

As noted in our significant matters section the Pension Fund produced draft accounts on the 30th June 2023. This version of the accounts was superseded prior to the audit commencing with an updated version being provided for audit on the 29th November 2023. Below are the changes above our reporting threshold in the Main statements.

Detail	Fund Account £	Net Asset Statement £m
Adjustments between draft accounts June 30 th and version submitted for audit as of 29 th November	CR Contributions 830k	DR Current Assets £23,986k
Due to turnover of key staff, we have not had a detailed explanation provided for the movements between the versions of the Accounts. In completing our audit, the trial balance and workings provided supported the accounts submitted as of November 29 th .	CR transfers in from other Pension Funds 28k	CR Current Liabilities £8,352k
The next slide summarises our audit adjustments to this version.	CR Management expenses 1,098k	
	CR Investment Income £15,058	
	DR Benefits paid £2,114k	
	DR Profit and Loss on changes in market value £6,028k	
	DR Taxes paid £519k	
Overall impact	CR £8,353k	DR £8,353k

D. Audit Adjustments – Main Statements

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Fund Account £m	Net Asset Statement £m
<p>Variances identified in level 3 Investments</p> <p>Due to the timing of when the accounts were prepared and the audit period more up to date valuation information came available for 3 Investments held. This indicated Investments were understated by £26,300k. Per our consideration of IAS 10 we deem this to be an adjusting Event after the reporting period and therefore have agreed with management this will be adjusted in the final Pension Fund accounts.</p>	Profit and losses on disposal of investments and changes in market value of investments CR 26,318k	Investment Assets DR – £26,318k
<p>Adjustment to Current liabilities and Fund Account</p> <p>From our review of the Pension Fund accounts Current liabilities significantly increased year on year, due to other liabilities increasing from £72k to £12,143k. Given most Pension Funds do not have significant current liabilities this was an unusual movement which we queried with management on first review of the Accounts.</p> <p>From review this was due to a Journal mis posting of £11,500k that lead to current liabilities being overstated and reduced the Profit and Loss on changes in market value by the same value.</p>	Profit and losses on disposal of investments and changes in market value of investments CR £11,500k	Current liabilities DR £11,500
<p>Adjustment to Current assets held by Fund Manager</p> <p>From our work it was identified that there was a variance between the draft accounts deferred debtors and that held by JP Morgan of £3,374k . This led to the Current assets balance being overstated by £3,374k.</p>	Profit and losses on disposal of investments and changes in market value of investments DR £3,374k	Current Assets CR 3,374k
<p>Adjustment to Current assets held by Fund Manager</p> <p>From our Investment income testing it was identified that accrued debtors were overstated by £3,962k and investment income was also overstated by this value.</p>	Investment Income DR £3,962k	Current Assets CR 3,962k
<p>Changes to Opening Balance of Fund</p> <p>Adjustments to Investments identified in the 2021-22 audit had to be made to the accounts. This resulted in the Opening Net assets increasing by £18,400k. This has not impact on the Net Asset statement but does mean the Fund account movement in Investments valuations are impacted.</p>	Opening Net asset statement £18,400k Increase Profit and losses on disposal of investments and changes in market value of investments DR 18,400k <i>*Note this change has been made in the 2021-22 accounts</i>	
Overall impact to audited November Accounts	CR £30,492k	DR £30,492k
Overall impact to draft Accounts (including adjustments on previous page)	CR £38,835k	DR £38,835k

D. Audit Adjustments- Disclosure changes

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Accounting policies and Other notes –minor presentational adjustments	In our work a number of minor presentational amendments were identified and agreed with management. This included the removal of a critical judgement made by the Pension fund which per IAS 1 did not meet the requirements of a critical judgement. The Critical judgement did not express a judgement but the fact the Fund was applying the standards appropriately for property assets.	✓
Audit fees- Note 10	The audit fees note required adjusting to the final figure.	✓
Note 14A- reconciliation of movements in Investments	For the purchases and sales in the accounts the Fund Manager had provided more up to date information to the accounts.. This resulted in the Purchases data increasing across four asset types by £163,488k. The Sales information also contained material adjustments totalling 194,078k increases to the sales.	✓
Note 17 Financial instruments	The financial instruments note was misstated to include statutory liabilities which do not meet the definition of being financial instruments under IFRS 9. This lead to a £4,173k adjustment to this note.	✓
Note 19 and 20 – Actuarial Present Value of Promised Retirement Benefits	The Pension Fund in the preparation of this note had not included the latest valuation data as of the 31 st March 2023. This was based on their interpretation of the Code requirements that the latest full triennial data should be used. This is not in line with our understanding of the CODE which requires the Pension Fund to state the total Pension Fund liabilities for each reporting year. Given the significance of this information to the readers of the accounts we considered this as requiring adjustment.	✓
Note 26 Unfunded Commitments	The Draft statement of accounts had the value at £105.8m however upon review this was overstated and has been restated to 89.9m following the audit adjustments identified.	✓
Other Information including Pension Fund Annual report	The other information noted in the Pension Fund Annual report and other parts of the Accounts required updating to reflect the material changes in the prior and current year Financial statements.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee
Scale fee per PSAA for 2022-23	24,920
New System Implementation (this reflects the UPM system and the cost of our additional work the estimated fee captures the cost of this review of the data transfer and controls regarding the implementation)	12,500
ISA 540	3,600
ISA 315	6,000
Journals testing	2,000
Fee Per Audit plan	49,020
Additional work on Investment Valuations and challenges obtaining data from Fund Managers	3,400
Challenges obtaining information from UPM system and other key reports	2,800
Quality and preparation of accounts issues resulting in key staff turnover during the preparation and audit period	5,750
Total audit fees (excluding VAT)	£60,970

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

We anticipate that we will provide the Authority with an unmodified audit report.



Item No	Date:	Meeting Name:
11	3 July 2024	Local Pension Board
Report title:		Local Pension Board Annual Report
From:		Independent Chair of the Local Pension Board

RECOMMENDATION

Local Pension Board members are asked to:

- Note the content of the Local Pension Board Annual Report for 2023-24 for inclusion within the Pension Fund (the Fund) Annual Report 2023-24, as set out in this report, and suggest amendments as appropriate.
- Note the assessment of the annual report guidance – requirements and status of current compliance, set out as appendix A to this report.

REPORT FROM THE INDEPENDENT CHAIR OF THE LOCAL PENSION BOARD

Local Pension Boards were established under the 2013 Pensions Act. Each Administering Authority is required to establish a Board to assist with the effective and efficient governance and administration of the scheme. The Board is also tasked with ensuring compliance with the various legislative requirements and those of the Pensions Regulator, complementing the already well-developed governance structure which underpins the pension scheme.

The independent Chair of the Local Pension Board (the Board) attends the Pensions Advisory Panel (PAP). This provides a useful link between PAP, as the advisory body, and the Board. The link is further strengthened by attendance of the Strategic Director of Finance at the Board; attendance of other key officers and joint training sessions for the Board and PAP members. The Chair of the Board is elected annually with the incumbent leaving the meeting to avoid any conflict of interest.

The first meeting of the Board was held in July 2015, and since then it has established itself as part of Southwark's governance structure in relation to the Fund.

The Board's core functions are set out in the [Terms of Reference](#).

Composition of the Board

The composition of the Local Pension Board for 2023-24 is set out below:

Independent Chair

- Mike Ellsmore

Scheme Member Representatives

- Diana Lupulesc (employee representative)
- Stuart Mumford (employee representative)
- Tony O'Brien (retired employee representative)

Employer representatives

- Dominic Cain (Vice Chair) (employer representative)
- Allan Wells (employer representative) – retired in early January 2024
- Mike Antoniou (schools employer representative)

The Board meets quarterly and the current membership and attendance at meetings during 2023-24 is set out in the table below:

Name	Title	05-Apr-23	10-Jul-23	11-Oct-23	24-Jan-24
Mike Ellsmore	Independent Chair	✓	✓	✓	✓
Diana Lupulesc	Scheme Member Representative	✓	A	✓	A
Stuart Mumford	Scheme Member Representative	A	A	A	✓
Tony O'Brien	Retired Scheme Member Representative	✓	✓	A	✓
Dominic Cain	Employer Representative, Vice Chair	✓	✓	✓	✓
Allan Wells*	Employer Representative	✓	A	✓	
Mike Antoniou	Schools Employer Representative	✓	✓	✓	✓

✓ Attended

A Absent with apologies

*Retired from the Board in January 2024

All meeting papers of the Board are available in the public domain on the Fund's website and can be accessed [here](#).

Knowledge and understanding/training

As set out in the national guidance for Local Pension Boards, knowledge and understanding is a key part of being an effective Board member. Board members continuously engage in training programmes in order to develop and refresh their skills and knowledge and have access to the Pensions Regulator public service toolkit and the CIPFA guide for Local Pension Boards.

During 2023-24, the Board has received training on the following items, from both internal Fund officers and external trainers:

- UK Spring Budget 2023
- Guidance and regulatory updates on Equality, Diversity & Inclusion

- Cost Transparency Initiative
- Conflicts of Interest

A formal training policy and related action plan has also been introduced during 2023-24 for members of the PAP and the Board to ensure they are provided training on an ongoing basis covering multiple topics and regulatory developments to ensure they are well-equipped for effective decision-making in relation to strategic and operational activities of the Fund.

Work during the year

As part of the standing items at the meetings, the Board regularly receives reports on Pension Services performance, investment performance and the agendas and discussions topics at PAP.

In addition to these standing items, during 2023-24, the Board has also considered:

- 2022 Triennial Actuarial Valuation & Funding Strategy Statement
- Six-monthly review of the Fund's Risk Register
- Conflicts of Interest Policy for the Fund
- Cost Management Process relevant for Fund operations
- Detailed cyber security assessment of the Fund operations through a third-party
- Annual assessment of the Funds' managers, custodian and banking provider's cyber security
- The Pensions Regulator Annual Survey

The Head of HR Operations of Southwark Council also attended the October 2023 Board meeting to discuss a number of Southwark-specific, employer related issues, particularly in relation to contribution collection and ill-health retirements. While these are not within the Board's remit, it was agreed to keep track of progress made on these issues and engage in additional discussions in future Board meetings, if required.

The Board continues to monitor closely the performance of the Pension Administration Service. We were pleased to see that Key Performance Indicators were reinstated during the year and staff remain fully committed to resolving the system issues which have held the service back over the last few years. The Pensions Administration Service is critical to the successful delivery of employees and former employees accurate pensions entitlements.

The Board continues to be concerned over the late delivery of the Annual Benefit Statements.

Future work

As outlined earlier, during 2023-24, the Fund has implemented a formal training policy and an action plan for both the PAP and Board members, which will continue to be monitored and updated to account for ongoing training requirements to ensure continued good governance and strong decision-making by all members and officers involved.

Looking ahead, the Board will continue to monitor the Pension Administration Service. The Board will continue to seek the timely dispatch of the Annual Benefit Statements and will request an updated Action Plan should this continue to be a problem area.

As the composition of the Fund's investments continues to evolve, the Board will scrutinise updates on the progress made towards the net zero carbon emissions target.

An area of increasing concern, globally, is the issue of cyber security, and the Board will keep this under regular review.

For 2024-25, some of the key focus areas for the Board as part of the work plan include:

- Review of the risk register to assess current/potential risks and the degree of impact
- Consider Equality, Diversity & Inclusion (EDI) aspects of the Fund's internal operations, including its Governance structure, as well as in the Fund's dealings with external stakeholders like investment managers and advisors
- Review Conflicts of Interest Policy
- Review Pensions Administration Strategy
- Receive training on TPR General Code of Practice and review the outcome of an external assessment of compliance and the subsequent implementation of an action plan.
- Review Breaches Log and Cyber security aspects of the Fund operations
- Undertake cyber security assessment of the fund's external providers
- Participate in ongoing training being organised by the Fund officers and/or external third parties

The Board will continue to monitor the impact of the Scheme Advisory Board's Good Governance Project.

The Board will also monitor the resources allocated and employed in the management of the Fund in the context of an increasingly complex investment and administrative landscape, with a particular focus on progression towards the strategic target of reaching net zero carbon emissions by 2030 through the Fund's investments.

Expenses

The total expenses of £21,355 incurred by the Board for 2023-24 are set out below:

Expense	£
Allowance – Independent Chair	6,030
Annual Insurance Fees	6,300
Training	9,025
Total	21,355

Mike Ellsmore

Independent Chair

KEY ISSUES FOR CONSIDERATION

1. N/a

Policy framework implications

2. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts

Community impact statement

3. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

4. There are no immediate implications arising from this report.

Health impact statement

5. There are no immediate implications arising from this report.

Climate change implications

6. There are no immediate implications arising from this report.

Resource implications

7. There are no immediate implications arising from this report.

Legal implications

8. There are no immediate implications arising from this report.

Financial implications

9. There are no immediate implications arising from this report.

Consultation

10. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

11. Not applicable.

Strategic Director of Finance

12. Not applicable.

Other officers

13. Not applicable.

APPENDICES

No.	Title
Appendix A	Annual Report Guidance 2024 – Requirements and status of current compliance

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director of Finance	
Report Author	Mike Ellsmore, Independent Chair, Local Pension Board	
Version	Final version	
Dated	25 June 2024	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance	N/A	N/A
List other officers here		
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		N/A

Item No. 11	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		SAB Guidance on preparing Annual Reports	
Ward(s) or groups affected:		None	
From:		Head of Pensions Operations, Finance	

RECOMMENDATION

1. The Local Pension Board (the **Board**) is asked to note this update on new guidance in preparing annual reports, specifically on Admin KPIs.

BACKGROUND INFORMATION

2. New guidance has been jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and, Department for Levelling Up, Housing and Communities (DLUHC) in consultation with funds, industry experts and other interested stakeholders.
3. The purpose of the revised guidance is to assist Local Government pension funds with the preparation and publication of the pension fund annual report as required by Regulation 57 of the LGPS Regulations (2013). It also aims to ensure that reporting across the LGPS is consistent and provides comparable data for all funds.
4. The new guidance applies to 2023/24 annual reports and later years.
5. For 2023/24, funds should use best endeavours to comply fully with the new guidance, but can exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost.
6. In this context, the guidance sets out discretionary components and the following terminology is used throughout for different elements.

Must	Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
May	Compliance is recommended but is discretionary.

7. The guidance has more onerous Admin KPIs (Key Performance Indicators) for engagement with online portals, member communication, and employer performance. Please see Appendix 1 for further details.

CONCLUSIONS

8. The changes in annual report guidance and KPIs is welcome as part of continued good governance and to ensure Local Government pension funds capture information in the same (more transparent) way so comparison between funds is possible.
9. A number of the new requirements cannot easily be met using the existing admin system for 2023/24 and will require building further bespoke solutions for the 2024/25 annual report.
10. However, Southwark is in a very good place to take a lead in London on some of these changes, in particular, the requirement to maintain statistics around communication with members which are easily met by our First Contact Resource team (using a module on our pensions admin system).
11. The Administering Authority is now in a position to offer First Contact provision to other London Boroughs (to enable them to meet annual reporting requirements) on a chargeable basis. Talks have already begun with some London Boroughs.
12. The Board will be kept up-to-date on this matter, including any proposed changes to performance metrics reported each quarter.

APPENDIX 1

ANNEX A – ADMINISTRATION KEY PERFORMANCE INDICATORS

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members						
A2	New dependent member benefits						
A3	Deferred member retirements						
A4	Active member retirements						
A5	Deferred benefits						
A6	Transfers in (including interfunds in, club transfers)						
A7	Transfers out (including interfunds out, club transfers)						
A8	Refunds						
A9	Divorce quotations issued						
A10	Actual divorce cases						
A11	Member estimates requested either by scheme member and employer						
A12	New joiner notifications						

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A13	Aggregation cases						
A14	Optants out received after 3 months membership						

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days		
B2	Communication issued confirming the amount of dependents pension	10 days		
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days		
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days		
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days		
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days		
B7	Payment of lump sum (both actives and deferreds)	15 days		
B8	Communication issued with deferred benefit options	30 days		

APPENDIX 1 (Cont.)

B9	Communication issued to scheme member with completion of transfer in	15 days		
B10	Communication issued to scheme member with completion of transfer out	15 days		
B11	Payment of refund	10 days		
B12	Divorce quotation	45 days		
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days		
B14	Communication issued to new starters	40 days		
B15	Member estimates requested by scheme member and employer	15 days		

*Days in this column are a suggested fund target for completion and not the statutory timescale.

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	
C2	% of deferred member registered	
C3	% of pensioner and survivor members	
C4	% total of all scheme members registered for self-service	
C5	Number of registered users by age	
C6	% of all registered users that have logged onto the service in the last 12 months	
	Communication	
C7	Total number of telephone calls received in year	

C8	Total number of email and online channel queries received	
C9	Number of scheme member events held in year (total of in-person and online)	
C10	Number of employer engagement events held in year (in-person and online)	
C11	Number of active members who received a one-to-one (in-person and online)	
C12	Number of times a communication (i.e newsletter) issued to:	
	a) Active members	
	b) Deferred members	
	c) Pensioners	

Administration KPI table D – Resources

Ref	Resources
D1	Total number of all administration staff (FTE)
D2	Average service length of all administration staff
D3	Staff vacancy rate as %
D4	Ratio of all administration staff to total number of scheme members (all staff including management)
D5	Ratio of administration staff (excluding management) to total number of scheme members

APPENDIX 1 (cont.)

Table E - Data Quality

	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	
	Short commentary if less than 100%	
	Data category	
E3	Common data score	
E4	Scheme specific data score	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	
E6	Percentage of active, deferred and pensioner members with an email address held on file	
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	
E8	Percentage of employers who submitted monthly data on time during the reporting year	

KEY ISSUES FOR CONSIDERATION

Policy framework implications

13. There are no immediate implications arising from this report.

Community, equalities (including socio-economic) and health impacts Community impact statement

14. There are no immediate implications arising from this report.

Equalities (including socio-economic) impact statement

15. There are no immediate implications arising from this report.

Health impact statement

16. There are no immediate implications arising from this report.

Climate change implications

17. There are no immediate implications arising from this report.

Resource implications

18. There are no immediate implications arising from this report.

Legal implications

19. There are no immediate implications arising from this report.

Financial implications

20. There are no immediate implications arising from this report.

Consultation

21. There are no immediate implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

22. Not applicable.

Strategic Director, Finance

23. Not applicable.

Other officers

24. Not applicable.

AUDIT TRAIL

Lead Officer	Clive Palfreyman - Strategic Director, Finance	
Report Author	Barry Berkengoff - Head of Pensions Operations, Finance	
Version	Final	
Dated	3 July 2024	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	No	N/a
Strategic Director of Finance and Governance	No	N/a
List other officers here		
Cabinet Member	No	N/a
Date final report sent to Constitutional Team / Scrutiny Team		

Item No. 12	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Update on Current LGPS Issues	
From:		Chief Investment Officer, Treasury and Pensions	

Recommendations

1. The Local Pension Board (LPB) is asked to note the updates provided in this report.

SAB Scheme Cost Assessment now complete

2. The Government Actuary's Department has completed their valuation of the LGPS (England and Wales) as at 31 March 2020. This was the first scheme valuation undertaken since revisions were made to the cost control mechanism, which the Government consulted on in 2021.
3. The methodology by which the valuation is undertaken was revised last year. The cost corridor (the amount by which the scheme costs could vary from the target cost before action was taken to address it) was widened from 2% to 3%. The process was also revised to include consideration of the wider economic situation through a new "economic check" that was introduced alongside the previously established core cost control mechanism.
4. The valuation found that the 'cost cap cost' of the LGPS lies outside the 3% cost control mechanism corridor (3.2% below target cost). The new 'economic cost cap cost' of the scheme also lies outside the 3% corridor, but in the other direction (7.3% above target cost). As a result, the mechanism is not breached, and the Government is not proposing to make any changes to scheme benefits.
5. The SAB will be publishing a final report of the scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013. However, based on the initial results, the SAB is not recommending any changes to scheme benefits.

SAB writes letter to the Chief Secretary to the Treasury, Laura Trott MP about the gender pensions gap

6. The SAB has written to the Chief Secretary to the Treasury, Laura Trott MP, suggesting that the Government take a consistent and active approach to the gender pensions gap across public sector pension schemes.
7. Cllr Roger Phillips, the SAB Chair, has argued that a gender pensions gap analysis, like that commissioned by the Board, would give a dynamic picture of how scheme members' salaries change over time and illustrates the different trajectory of men and women's careers.

8. Such an analysis would also provide additional context to the statutory gender pay analysis that public sector employers already undertake.
9. An update on the work of the Gender Pensions Gap Working Group will be provided to the Cost Management, Benefit Design and Administration Committee as part of its upcoming meeting on 1 July 2024.

Dissolution of Parliament - Impact on Economic Affairs of Public Bodies (Overseas Matters) Bill

10. Parliament was dissolved on 30 May 2024, following the announcement of the general election. This means that the Economic Affairs of Public Bodies (Overseas Matters) Bill falls, as it has not proceeded through all stages and therefore cannot be given Royal Assent prior to dissolution.
11. As a summary, the Bill intended to remove the possibility for public bodies, including councils, to campaign against, boycott, seek divestment from, or sanction a particular territory internationally, unless endorsed by the Government's own foreign policy.
12. The SAB will check whether any party commits to bringing the Bill back to Parliament in future.

New LGPS Informer Document Launched

13. The SAB, along with the Institute for Chartered Accountants in England and Wales (ICAEW), has published an informer document to explain the timeline and information flow for the triennial valuation and accounting/audit purposes.
14. The document is intended to be a practical document that explains:
 - a) how the LGPS works in practice
 - b) key information flows between employing bodies, pension funds and actuaries
 - c) the content and purpose of annual accounting reports and triennial valuations
 - d) key accounting requirements for employing bodies
 - e) the role of external auditors.
15. The informer is primarily for the benefit of scheme employers and their external auditors. However, pension fund officers and actuaries will also find the document useful.
16. ICAEW and the SAB have also created a short video on the informer outlining why it was developed and how to use it.
17. Various external participants, members of the Compliance and Reporting Committee Audit Working Group and the attendees of the Audit Roundtable

contributed to development of the informer.

Publication of the Scheme Annual Report

18. The SAB has published its eleventh Scheme Annual Report. The aim of the SAR is to provide a single source of information about the status of the LGPS to its members, employers, and other stakeholders. The report aggregates information supplied in the 86 fund annual reports, as of 31 March 2023 for the reporting year 2022-23.

19. Outlined below are key LGPS highlights for 2023 from the report:

- a) Total membership of the LGPS increased slightly, growing by 106,166 (1.6%) to 6.49m members in 2023 from 6.39m in 2022
- b) The total assets of the LGPS decreased to £354bn (a change of -2.6%). These assets were invested in public equities (51%), bonds (12%), property (8%), infrastructure and private equity (both 6% respectively), as well as other asset classes including – but not limited to – multi-asset credit, private debt, and diversified growth funds.
- c) The return on investment over 2022-23 was -1.8%. This compares to UK CPI year on year inflation of 3.2% (Sept – Sept).
- d) The LGPS maintained a positive cash-flow position overall, including investment income.
- e) Over 2 million pensioners were paid during the year
- f) Pensioners appear to be seeing a more pronounced bounce back towards pre-pandemic life expectancies than the general population, particularly pensioners in the LGPS
- g) Total investment management costs decreased by £141m (-7.6%) from £1,868m. This was primarily driven by a £188.5m net decrease in performance fees. Management fees increased by £106m, transaction costs increased by £15m while other investment costs decreased by £71m.
- h) Total administration and governance costs increased by £28m, with administration costs increasing by £12.1m, and oversight and governance costs increasing by £19.7m. Other administration and governance costs decreased by £3.8m.

Review of General Code Compliance

20. Barnett Waddingham has been commissioned to undertake a reverse gap analysis. This will involve a review of our policies and practices across the whole Fund to identify where we already comply with the General Code. The review will include the following steps:

- Initial desktop review: a review of what is available online.

- Direct contact to obtain information not available publicly.
- Finalisation of their report

21. At the next meeting of the Board in October 2024, Barnett Waddingham will provide training on the general code. They will also provide a presentation to the Board on the outcome of their analysis.

22. Officers will then produce an action plan to address any gaps in compliance. This will be tabled at PAP and then at the January 2025 Board meeting.

Community, Equalities (including socio-economic) and Health Impacts

23. Community Impact Statement

No immediate implications arising.

24. Equalities (including socio-economic) Impact Statement

No immediate implications arising

25. Health Impact Statement

No immediate implications arising

26. Climate Change Implications

No immediate implications arising

27. Resource Implications

No immediate implications arising

28. Legal Implications

No immediate implications arising

29. Financial Implications

No immediate implications arising

30. Consultation

No immediate implications arising

AUDIT TRAIL

<i>Lead Officer</i>	Clive Palfreyman, Strategic Director of Finance	
Report Author	Caroline Watson, Chief Investment Officer	
Version	Final	
<i>Dated</i>	25 June 2024	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A

Item No. 13	Classification: Open	Date: 3 July 2024	Meeting Name: Local Pension Board
Report title:		Investment Update	
From:		Pensions Investments Manager - Treasury & Pensions	

Recommendations

The LPB is asked to:

- Note the below investment update, covered in the papers circulated to PAP members in lieu of the cancelled meeting of the 13 June 2024.

Summary

1. Asset Allocation and Net-Zero Strategy Update – Agenda Item 9

- A new £100m multi-asset credit allocation to London CIV (managed by CQS) was fully invested on 28 March 2024, following a PAP appointment meeting on 4 March 2024. The Fund is now fully invested in Multi-Asset Credit per the Strategic Asset Allocation that was agreed in December 2022.
- The LCIV allocation was funded by full divestment from the Blackrock Absolute Return Bond fund.
- To enable the purchase of three properties on behalf of the Fund, cash of c£33m was transferred to Nuveen during the quarter.
- During the December quarter LBS PF was admitted as an investor in the Glenmont IV Clean Energy Fund with a €50m commitment. The first drawdown against this commitment was made in April 2024.
- Officers had update meetings to discuss portfolio performance and developments with some of the Fund's managers including Newton (global equity) and Robeco (credit)
- On 15 May, the Minister of Local Government issued a request that each LGPS fund administrating authority outline the approach to efficiencies in the management, governance and administration of the LGPS by 19 July. Officers will prepare and submit a response ahead of the deadline.

2. Investment Adviser Performance Updates – Agenda Item 12

- Fund value increased by £73.1m during the quarter to March 2024, from £2,165.9m to £2,238.9m.
- Fund return quarter to March 2024: 3.6% (benchmark 4.9%)
- Fund return year to March 2024: 11.3% (benchmark 13.3%)

- Fund return 3 years to March 2024: 5.6% p.a. (benchmark 7.3% p.a.)
- Funding level was unchanged over the quarter, and remains at 115%

3. Carbon Footprint Update – Agenda Item 13

- Reduction in the Fund's carbon footprint between September 2017 and March 2024 was 81.4%.

4. Update on approach to Engagement and Voting – Agenda Item 14

- An update on the key engagement and voting themes for the quarter together with an outline of the activity for the Fund's equity managers.

Community, Equalities (including socio-economic) and Health Impacts

5. Community Impact Statement

No immediate implications arising.

6. Equalities (including socio-economic) Impact Statement

No immediate implications arising

7. Health Impact Statement

No immediate implications arising

8. Climate Change Implications

No immediate implications arising

9. Resource Implications

No immediate implications arising

10. Legal Implications

No immediate implications arising

11. Financial Implications

No immediate implications arising

12. Consultation

No immediate implications arising

AUDIT TRAIL

<i>Lead Officer</i>	Clive Palfreyman, Strategic Director of Finance	
Report Author	Tracey Milner, Pensions Investments Manager	
Version	Final version	
<i>Dated</i>	17 June 2024	
<i>Key Decision?</i>	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
List other officers here		
<i>Cabinet Member</i>	N/A	N/A
<i>Date final report sent to Constitutional Team</i>		N/A